

Message Text

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67

ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

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R 051523Z AUG 76

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 5838

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EO 11652: NA

TAGS: ETRD EFIN ECON EG

SUBJECT: GOE ACTS TO CONTROL OWN CURRENCY IMPORTS

1. GOE HAS FINALLY ACTED TO CURB "OWN CURRENCY" IMPORTS PROGRAM, UNDER WHICH HOLDERS OF FOREIGN EXCHANGE WERE PERMITTED IMPORT WIDE RANGE OF INTERMEDIATE CONSUMER GOODS, AND WITHOUT LICENSE FOR AMOUNTS UP TO LE 5,000 (COMPUTED AT OFFICIAL RATE). EFFECTIVE JULY 29, A DECREE ISSUED BY MINISTRY OF TRADE IMPOSES REQUIREMENT OF IMPORT LICENSE FOR ALL "OWN CURRENCY" TRANSACTIONS. MINISTRY OFFICIALS ADVISE THAT VERY FEW WILL BE GRANTED, AND THEN ONLY AFTER A CLOSE EXAMINATION.

2. DECREE, NO. 24, 1976, ALLOWS ONE MONTH FOR COMPLETION OF TRANSACTIONS BEGUN UNDER THE PRIOR PROCEDURES. IT ALSO DISCONTINUES AUTHORIZATION FOR "OWN CURRENCY" IMPORTS OF ANY KIND FROM BILATERAL AGREEMENTS COUNTRIES. THIS MOVE RESULTS FROM GOE DESIRE TO SHUT OFF USE OF HARD CURRENCY FOR PRODUCTS WHICH ARE OBTAINABLE IN EXCHANGE FOR LOCAL PRODUCTS.

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3. COMMENT: "OWN CURRENCY" PROGRAM HAS BEEN

SOURCE OF BITTER AND EXTENDED CONTROVERSY SINCE ITS INCEPTION IN 1974. OPPONENTS TENDED TO CHARGE THAT MAJORITY OF LUXURY GOODS IN EGYPT HAD BEEN IMPORTED AS A RESULT; PROPONENTS ARGUED THAT SMALL SHARE OF CONSPICUOUS CONSUMPTION ITEMS THAT ACTUALLY CAME IN UNDER THE PROGRAM WERE SMALL PRICE TO PAY FOR LARGE QUANTITIES OF OTHER, MORE NECESSARY COMMODITIES THAT WERE ALSO MADE AVAILABLE. BOTH IMF AND IBRD ARE OF OPINION THAT PROGRAM IS NOT BENEFICIAL TO EGYPT AT THIS TIME.

4. PRIVATE SECTOR WILL PROBABLY BE HARDEST HIT BY NEW RULES, SINCE MAJOR SHARE OF INTERMEDIATE GOODS FOR THAT SECTOR WERE PROVIDED UNDER PREVIOUS PROGRAM. MINTRADE U/SEC EL NAHAL IS OF OPINION THAT MOST OF THE LE 13 MILLION IN "OWN CURRENCY" IMPORTS THAT ENTERED EGYPT BETWEEN JANUARY 1 OF THIS YEAR AND INSTITUTION OF NEW RULES WERE INTENDED FOR USE BY PRIVATE SECTOR.
MATTHEWS

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Margaret P. Grafeld
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